

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7163

BILL NUMBER: SB 302

NOTE PREPARED: Jan 3, 2003

BILL AMENDED:

SUBJECT: Economic Development Project District in Elkhart.

FIRST AUTHOR: Sen. Riegsecker

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill adds Elkhart to the list of cities that may establish an economic development project district in order to finance projects through sales tax increment financing.

Effective Date: July 1, 2003.

Explanation of State Expenditures:

Explanation of State Revenues: This bill would allow the City of Elkhart to establish an economic development project district and use the net increment of Sales Tax revenue generated in the district each year. State Sales Tax revenue would be reduced by the amount captured by the city. This bill does not limit the amount of Sales Tax revenue that may be captured. The overall impact of this provision on state revenue would be determined by local action and would depend on the size and location of the district as well as various economic factors. It is not known how much sales tax will be collected and transferred annually.

Based on adjusted data obtained from the Department of State Revenue, the amount of state sales tax collected at the old 5% rate in Elkhart *County* totaled \$99.4 M in CY 1999 and \$99.3 M in CY 2000, the last years available. Sales tax collection data is not available at the city level.

Sales Tax revenue is deposited in the General Fund (49.192%), the Property Tax Replacement Fund (50%), the Public Mass Transportation Fund (0.635%), the Industrial Rail Service Fund (0.033%), and the Commuter Rail Service Fund (0.14%).

Explanation of Local Expenditures:

Explanation of Local Revenues: This bill does not give the city's redevelopment commission the ability to collect a sales tax. It does, however, allow the commission to capture a portion of the increase in state Sales Tax revenue collected in the district that is *above* the revenue generated in the base year, as determined by the Department of State Revenue. If Elkhart were to utilize the Incremental Sales Tax provisions in this bill, it could increase local revenue annually by an indeterminable amount. The revenue may be used to make bond or lease/rental payments on local improvements.

State Agencies Affected: State Board of Finance; Indiana Department of Revenue.

Local Agencies Affected: City of Elkhart; Elkhart Redevelopment Commission.

Information Sources: Indiana Department of State Revenue.

Fiscal Analyst: Bob Sigalow, 317-232-9859.